

THE STRATEGY OF AN ANCIENT WARRIOR: AN INSPIRATION FOR INTERNATIONAL MANAGERS

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While previous research involving Sun Tzu's *Art of War* focused on its application to business in general, this article applies it to international business, using China as the model. The interaction between China's industrial entities, mostly state-owned, and foreign managers seeking to make a profit there are compared to the dynamics of warfare between countries, Sun Tzu's original frame of reference. Thus envisioned, Sun Tzu's prescriptions for military success, including the avoidance of war if reasonably possible, are discussed in the light of his "Five Constant Factors" (a formula for knowing oneself) and his "Seven Comparisons," (a formula for knowing one's adversary), and adapted to China's complex, risky, international business environment.

INTRODUCTION

Sun Tzu's *Art of War* has been regarded through the centuries as the bible of military strategy although it was written five hundred years before Christ. Originally a way of defeating an opposing army, the *Art of War* is now seen as a strategy for prevailing over one's business competitors (Ames, 1993; Benjamin, 1993; Chen, 1994; Cloud, 1990; Floyd, 1992; Lee et al., 1994; Lucas, 1994; Ohmae, 1988; Tung, 1994; Romm, 1991; Wee et al., 1991).

This article differs from other articles on the *Art of War* because it focuses on competing in international markets and because it includes business counterparts and stakeholders, not just competing companies as such. Because the protection of the company's home government is greatly reduced, international markets are as complex and competitive as the battlefield, and the players rarely share the same "game" rules. In addition, the inclusion of business counterparts and stakeholders, e.g., suppliers and creditors, makes the study more realistic because such parties, even though not in the forefront, can cause the company to fail. We have chosen U.S.

companies doing business in China as a model because their operations there are more visible and because China is experimenting with its own version of a capitalistic market. The rules of the game in China are not yet clearly defined and, in most cases, there is no industry standard. Further, stakeholders in China, such as the central and local governments, suppliers, and distributors behave quite differently than their U.S. counterparts, and the foreign company finds itself facing a continuous chain of new experiences. As a result, developing effective strategies in China is like preparing for a military campaign where the enemy enjoys the advantage of its own turf and can manipulate its resources in powerful but elusive ways.

SETTING THE STAGE

Is war necessary to achieve political goals? Is fierce, unrelenting competition necessary to succeed in business? Sun Tzu considered the waging of war a critical question because losing it might mean losing one's country and making slaves of one's countrymen. But a similar fate might befall a company engaged in international operations when it is overcome by competition.

There would probably be the loss of resources, serious damage to the home country's overall competitiveness, and ultimate bankruptcy. One can say, therefore, that competition is to a firm as war is to a country and that business strategy is to a firm as military strategy is to a country. Like war, business requires the commitment of substantial resources and personnel, and thorough deliberation is necessary because a profit may not materialize for some time. Doing business overseas is particularly difficult because of the unknowns involved. Many companies should not even contemplate it because they are not equipped for such a risky adventure.

For these reasons, Sun Tzu took the position that the real "art" of war is to win without fighting, if possible. Similarly, the real art of doing business is to succeed without engaging in destructive, cutthroat competition. One way to achieve that objective is to engage one's competitors in activities in which they also stand to benefit. Goods and services that address China's Economic Reforms are of this type. For example, significant opportunities are presently found in banking, telecommunications, heavy and light industries, infrastructural sectors and electronics. Advanced technology, such as the construction of satellite stations, optical fiber cables, and microwave lines also have promising markets. Satisfying China's Economic Reforms, which represent its needs, rather than competing with China on items in which it has its own core competence, e.g., apparel and textiles, is an example of winning the battle without fighting.

Sun Tzu saw military strategy as composed basically of two components: (1) knowing oneself, and (2) knowing the enemy. See Figure 1.

KNOWING ONESELF - THE FIVE FACTORS

Although Sun Tzu recommended that war be avoided if all possible, he provided warriors with principles of strategy if war is inevitable, many of which have laid the ground work for

today's principles of strategic management. They have much to do with "knowing oneself," in Sun Tzu's terminology.

In his view, military strategy consisted of five elements: *tao*, weather, terrain, leadership, and systems. Under different names, these are now regarded as the essence of external and internal environmental analysis in contemporary strategic management. Sun Tzu felt that close management and monitoring of the five factors will build a strong organization. In the international arena, this approach tends not only to facilitate a company's entrance into that arena but also to enable it to defend itself if things go wrong. That being the case, Sun Tzu would recommend that the five factors be an integral part of any organization's strategy. For that reason, some scholars have called them the Five Constant Factors. They are referred to as such in this article, and are discussed under those headings below.

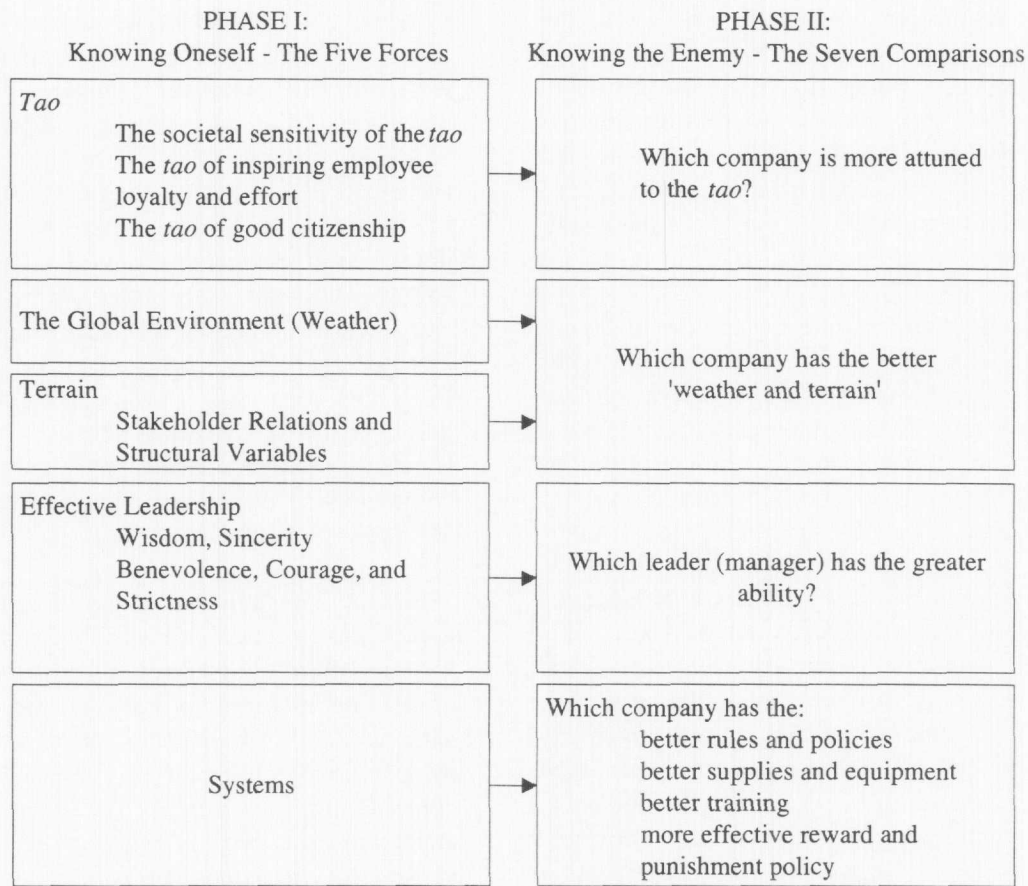
Tao

Tao is a concept that is very difficult to understand. Even China's great philosopher, Confucius, once said, "If I could discover *tao* in the morning, I would not regret dying in the evening."

But every activity has its *tao*. In politics, *tao* comprises the policies and doctrines that govern a particular country for the good of all and that causes it to have a positive image in the eyes of other countries. In international business, *tao* is the way of enhancing organizational success by approaching overseas operations in a constructive, supportive way.

Tao means "way" or "path" in Chinese and is the natural buoyancy that occurs when one is in tune with one's environment. It is the passive, mystical, intangible, ever-present, ever-changing, totally permeating dynamic that, when relied upon, generates creativity, spontaneity and fulfillment. In government, for example, it results in consensus between the king and the people.

Figure 1
Sun Tzu's Military Strategy



Sun Tzu adopted the notion of *tao* from his contemporary, Lao Tzu, with whom it is most frequently associated. It is often likened to the stream and the gorge which accommodate each other perfectly, neither trying to dominate the other. As the steep heights of the gorge narrow, so does the stream and vice-versa. This effortless consensus between the two was seen as the key to order, harmony and happiness, the common good and the realization of one's potential. The stream is not the *tao*, but being perfectly attuned to it, is continually supported by it as infinitely variable circumstances unfold. Thus, the stream does not try to expand when it is unwise to do so, or contract when it is inappropriate. The *tao* optimizes the dynamics of any given set of circumstances.

In contrast is the example of the Vietnam War which the United States essentially lost because

it did not have the consensus of its people, a fact that Henry Kissinger repeatedly, but unsuccessfully pointed out during that difficult time.

In a company, when the supportive forces of the *tao* are relied upon, there is consensus among managers, among employees, and among both groups acting together. That is not to say that prior, vigorous, company-oriented debate is not appropriate. It can, in fact, be essential to a consensus that optimizes the company's chances for success. But unresolved conflict paralyzes the company and probably foretells its ultimate downfall. While, according to Confucius, the *tao* is difficult to understand, and even more difficult to articulate, it seems that it continually resolves conflicting forces at the best possible level of equilibrium as determined by their nature and intensity. When the input of forces is

not in accord with the *tao*, the result might well be the failure of the company. After all, war itself introduces a new force that upsets a previous equilibrium. When the war is just, the resulting equilibrium will presumably be an improvement. When it is unjust, it will probably be a degradation. That is apparently why, according to Sun Tzu, one must always be in accord with the *Tao*, especially when forces are initially input so that the quality of the result is optimized.

Sun Tzu might find Apple Computers to be an interesting example of not being in accord with the *tao*. The company's ten per cent market share has now dwindled to nearly half. Its problems are thought to have arisen from a variety of causes, e.g., the long-term refusal to license clones, the failure to anticipate the high demand for the PowerMac and maintain adequate inventory levels to satisfy that demand, a technology-protective stance adopted to insure high selling-prices, company reluctance to encourage outside software manufacturers, the loss of a number of its pioneer-minded employees, etc. But many opine that the originating cause of the company's problems was the unresolved disagreements between Steve Jobs and John Scully, and subsequently between Scully and the Board of Directors, the results of which later CEO's have thus far been unable to overcome.

While consensus among managers is difficult to achieve, consensus between management and labor is even more difficult because, as sellers and buyers of labor, their motivations naturally conflict. In another example, the long, strident, public arguments in the American baseball industry about whether the owners should get \$200 million or \$150 million and whether a .350 hitter should get \$2 million or \$1.5 million severely diminished the owners' profits and the players' salaries. The prolonged strike that resulted and the higher cost of tickets turned many fans away.

The *tao* affects society, employee loyalty and effort, and good citizenship.

The societal sensitivity of tao. Sun Tzu believed that a military organization should try to achieve societal benefits as well as its own success. This approach, when applied to the international market, generates several questions. Will the company's activities harm or benefit the people of its home country? If there will be job-loss in the home country, will this be offset by corresponding benefits to the home country's citizenry? The U.S. apparel and footwear industries are cases where the art of war has not been applied. Many jobs have been lost and there has been inadequate re-training for other jobs. In like manner, where the possibility of international profits looms on the horizon, some companies have abandoned the communities that gave them lifetime tax advantages for locating there.

When the company that enters the international area lacks societal sensitivity, jobless U.S. workers often find themselves resorting to crime or welfare in order to survive. On the other hand, U.S. companies that engage in infrastructural projects in China, such as constructing power plant and telecommunications networks, are favorably viewed by the American public because they improve the U.S. balance of payments account and do not sacrifice U.S. jobs.

The tao of inspiring employee loyalty and effort. *Tao*, when properly understood, mobilizes the spirit of the employees and causes it to permeate the organization. Employees identify themselves with the organization and dedicate themselves to its mission. The organization then acquires great strength and wisdom in dealing with its competitors. Lifetime employment in Japan is a case in point. While only one-third of Japan's work force has enjoyed this benefit and while its continuation is threatened by increasing global competition, there can be little doubt that its existence played a major role in Japan's economic success after World War II, particularly in the 1980s and early 1990s. The same can be said of Japan's continuing high standard of living, despite its

current recession. What motivated Japanese companies to adopt it has been a matter of some dispute. Some believe that it was merely a self-serving mechanism whereby the company could discourage job-hopping, limit recruitment expense and avoid the waste of training resources. Others believe that it was truly an expression of benevolence towards workers who would thereby be inspired to reciprocate in terms of their devotion to the company and their desire to see it succeed (Ouchi, 1981; Maher, 1985). The latter seems more likely correct, at least in part, when one is mindful of the well known Japanese cultural propensity to "take care" (*mendo o miru*) of those for whom they see themselves responsible. The reciprocal is loyalty to one's company, whatever the reason, which still stands in bold relief in the person of Japan's "salary man," often referred to as a "workaholic."

The importance of inspiring the cooperation of the people has also been expressed in the Chinese adage, "good location is better than good weather, and cooperative people are better than good location." Cooperation ranks above all factors in strategic importance.

The tao of good citizenship. *Tao* also involves good principles of management in terms of guidance and codes of conduct for employees. Successful foreign firms in China often accomplish this without realizing it. For example, Xerox Corporation practices "good corporate citizenship" by supplying Chinese factories with its technology in exchange for a fee which is then used to promote further technological development in China. Xerox continues to look for opportunities to benefit not only itself but China, as well (Keijzer, 1992:107). In another example, Rosemount Inc. provides the exact technology the Chinese requires and on terms the Chinese ask, specifically, on the issue of licensing. It also provides continuous training to Chinese engineers for full scale production follow-on in China (Keijzer, 1992:91). Monarch Import Company's code of conduct treats Chinese partners with confidence and respect. It has

been rewarded with quality products and a positive, long term relationship with the Chinese.

Tao usually takes shape as circumstances develop, and the *tao* of doing business in China is still in process. But, in any case, *tao* seems to start at the top and flow down to the lowest levels of the organization, just as national goals are first established by a country's leaders and are then translated into economic, social and military objectives. Thus, like a national leader, a company president, CEO or Board of Directors launches the company's *tao*, usually in terms of organizational goals and later in terms of departmental goals. This includes its international operations.

Of course, there are individual variations, but following the *tao* generates organizational harmony, mobilizes the employee's morale and commitment, and ultimately builds organizational coherence (Lee et al., 1994:51). When a company goes even farther and extends its *tao* to society itself, it can galvanize public support for its operations.

The Global Environment (weather)

Sun Tzu's term "weather" refers to that part of the environment that is uncontrollable, e.g., the beginning and ending of day and night, the fluctuations of temperature, and the changes of season. Previous research on the *Art of War* did not address "weather" in the global environment, because it confined itself to the home country. But decision-making is exponentially complicated in the global environment because of the complex relationships among nations. It is exacerbated by trading blocs and commercial agreements, and it is subject to change on an almost daily basis as the nuances of the world economy and the forces of competition evolve endlessly to impact the internationally positioned company.

For example, although China's open door policy offers market opportunities, her human rights record has raised public concern in both the U.S. and other countries. Still, the U.S. decided to

de-link this concern from its consideration of China's Most Favored Nation status, (a multi-country arrangement) and business relations have progressed. Similarly, companies, confronted with the multitude of forces over which they have no control, find that they are limited to three options: (1) adapt to the change, (2) stick to principle; or (3) employ a combination of the two. Some companies, like Levi Strauss, have steadfastly used value-management, even to the point of withdrawing from China's market when success required a compromise of principle.

In some cases, environmental forces emanate from a company's home government. For example, many U.S. companies in China are concerned about the way in which Japanese and European governments subsidize their companies in China and enhance their competitive posture there. Reacting to such forces over which it had no control, Ibberson International, a U.S. feed and grain manufacturing company, used the *tao* of "getting down to the people" and thereby succeeded in China by providing outstanding customer service (Keijzer, 1992:76).

The global environment not only poses threats but also offers opportunities. Because China wants a share of the world's insatiable desire for technological innovation, it looks for help from foreign companies in terms of their technological expertise. For example, Gelman Sciences, Inc. took advantage of that opportunity and upgraded China's pharmaceutical industry so that it complied with the "Good Manufacturing Practices" standard, the international norm in that industry. (Keijzer, 1992:84)

International agreements, economic alliances, and restrictions are all part of the so called "weather" of the global environment and require the manager's insight and precise timing. Clearly, managers have to predict accurately, anticipate patiently, and distinguish sharply, under prevalent and often adverse "weather" conditions in order to capitalize on opportunities

and minimize threats.

Needless to say, when applied in China, both "weather" and "terrain" (below) can be remarkably different among foreign firms even though they are operating in the same city, town or village. For example, an electronics firm will need different employees, suppliers, facilities, equipment, and government approvals than a firm engaged in textile and apparel manufacturing.

Terrain (Stakeholder Relations and Structural Variables)

Of course, terrain, in war, refers to geographical conditions. Sun Tzu held that a good commander knows how to position his troops in the most advantageous way even in the worst locations. In business, terrain consists of the semi-controllable variables in the organization's external environment, in other words, the operating environment as it relates to competition within the relevant industry. In previous research, this environment was limited to the infrastructure at the location of the company's operations (Chen, 1994). But there are two other aspects, as well. One is the company's relations with its stakeholders, and the other is the structure of the industry in which the company does business. How the company addresses these aspects of its environment is crucial to its success.

Perfect conditions are impossible to find, but using Sun Tzu's strategy, the manager should position the company so that it can move ahead promptly when opportunities arise and make adjustments quickly when conditions deteriorate, making the best out of the worst. For example, although most Chinese state enterprises are considered inefficient and unprofitable, McCall Pattern Co. did not presume that its Chinese partner, one of its stakeholders, was similarly disadvantaged even though it was state-owned. McCall carefully trained its Chinese partner and turned it into a sales and distribution center that could work independently in making direct contact with Chinese consumers (Keijzer, 1992:66).

Structural problems in marketing can also be dealt with creatively. It is well known that in China, there are serious defects in its marketing channels. But, instead of waiting for orders to be placed by its retailers before taking action, Mars Inc., an internationally known candy manufacturer, had its wholesalers take an active role in the sales and transportation of its products to them.

In a similar case, Canoptex Ltd., a Canadian fertilizer manufacturer, found that, although the Chinese scientific community knew the company's products very well, the community had no purchasing authority. Sales were far below their potential, so Canoptex identified the appropriate local agricultural technicians and farmers who make the ultimate purchasing decision and dealt with them directly (Keijzer, 1992:77).

Other features of the Chinese system, such as, connections (*guan xi*) and gift-giving continue to be very important in doing business in China and are very much a part of the competitive "terrain." But they presuppose certain conditions. It is important that there be at least a potential demand for the company's products. The company must also be well thought of in terms of goodwill, social responsibility, and ethics. Also extremely helpful, particularly when dealing with major state enterprises, is a reputation that is worldwide.

Effective Leadership

Sun Tzu also believed that a well-qualified leader should possess the virtues of wisdom, sincerity, benevolence, courage, and strictness.

Wisdom. Successfully dealing with the unstructured and unusual way of doing business in China is the acid test of a manager's ingenuity. Foreign firms soon learn that the Chinese like to work with foreign firms but, because of their greater experience, are afraid of being taken advantage of by them. The China National Pharmaceutical Foreign Trade Corporation is an example. Gelman Sciences,

Inc., a micro-filtration products manufacturer, solved the problem by devising a contract that would achieve "a combination of technology-transfer and equipment-sales agreements, a long-term supply arrangement, a distribution agreement, and a complex buy-back plan" (Keijzer, 1992:84). The contract was created to guarantee benefits for the Chinese while relieving them of many responsibilities they viewed as suspect. The Chinese cheerfully signed it.

Sincerity. Because many Chinese enterprises are skeptical about the true intentions of foreign companies, the company's sincerity must be clearly visible. To enhance its sincerity-image, Rosemont, Inc., a U.S. industrial equipment company, first tried to determine the real needs of the Chinese. It then tried to evaluate realistically whether the company could meet them. It did this by demonstrating its pressure transmitter to government officials and conducting seminars for them. Rosemont was then invited to the Chinese plant involved. When it appeared clear that the Chinese were interested in the product and actually wanted to manufacture it, Rosemont provided the necessary documentation (drawings, procedures, purchase specifications) instead of the simple license it customarily provided elsewhere. In return, Rosemont was authorized to make direct sales in Beijing and Shanghai, thereby contributing to market supply and earning foreign exchange. Thus, the positive response of the Chinese to this approach revealed opportunities for the company that might not otherwise have been known, and the company made a promising entry into the Chinese market (Keijzer, 1992:88).

Benevolence. One of the difficulties in doing business in China is the initial inability of the Chinese to make effective use of Western technology because of lack of training. To overcome this problem, foreign managers should recognize that most Chinese workers are not trained in Western business practices and technology, and they should help create a new generation that is. Alpha Metals, Inc. is an

example. It succeeded in China by providing a great deal of assistance in many technical areas. In addition, the company was aware that it was encountering difficulty in recruiting new employees with promise because they would lose their existing fringe benefits as employees of state-owned enterprises. The company provided substitute-benefits as an inducement. (Keijzer, 1992:104)

Benevolence also induces the leader to care for lower ranking people and look after their needs. This is easily extended to customers in terms of safe products that are reasonably fit for their purpose and are backed with viable warranties against defects.

Courage. As it moves into the global business arena, China is experiencing a series of economic changes. Major social problems are an unavoidable by-product and require great courage to overcome. For example, the standard of living of many Chinese has risen sharply in the past several years, but 80% of the population is still struggling to rise above the poverty level. Most have lived in the countryside and are invading the large cities in huge numbers in search of work and the good life. Unable to find either, many turn to crime. They test the will not only of the government and state-owned enterprises but the nettle of foreign investors, as well.

There are also political risks. The "rules of the game" that the Chinese government employs are not well known or easily understood by foreign managers. McDonald's was unexpectedly expelled from its original location in Beijing for reasons that seem unfair to the Western mind. Regulations protecting foreign firms seem to exist only on paper because Chinese enforcement is bureaucratic and weak. But, as Gelman Sciences, Inc. has put it, if the Chinese want something to happen, it will. The converse is also true. As a result, there are times when foreign managers have to be patient and persistent and other times when they have to be brave enough to take bold steps. An expatriate manager in China said that he had to bring the

problem of a poor performing Chinese distributor to the attention of higher level managers despite the objections of his supervisors and other colleagues. They feared that Chinese officials would be offended and that the *quan xi* (connections) that had been carefully built up would be damaged. However, his courage was ultimately recognized and praised by upper management, and it set an example within the company.

Strictness. Strictness is particularly important in resolving many management problems in China and is to be distinguished from punitive action, which Sun Tzu rarely found appropriate. Strictness is related to the Neo-Confucian principle of *li* and, in this sense, means ritualistic behavior designed to insure good manners on a continuing basis.

Sun Tzu believed that punitive action should be resorted to only when there is no other alternative. Strictness, on the other hand, is the principle behind discipline and is necessary when dealing with the Chinese. After years of communist bureaucracy, Chinese workers have inherited a weak work ethic incompatible with the profit-oriented Western way of doing business. Foreign firms have found strictness an appropriate and helpful remedy. For example, when a foreign manager detected that theft was occurring in his plant, he chose to report it to the local police who conducted a search of the suspected employee's locker and home. In the process, several other employees were also caught red-handed and all were fired. Five were put in jail. In the past, management would have kept this a secret, fearing that the company would acquire a bad reputation.

The principle of discipline is also applicable to quality control and other areas. For that reason, Ecolab Inc. took special steps to develop the skills of its Chinese workers, thereby maintaining a high level of customer satisfaction. (Keijzer, 1992:104)

The relative importance of the five leadership qualities. Sun Tzu did not regard the five

leadership qualities to be of the same level of importance. He ranked wisdom first and benevolence second. He ranked strictness last, with sincerity and courage of equal importance.

Systems

In Sun Tzu's terms, "systems," refers to an organizational structure that provides coordination and control for the efficient channeling and deployment of resources and supplies to units in the battlefield. It goes beyond simple logistics management and extends to the total military operation.

An effective system starts with a well-constructed organizational configuration. Each function is designed not only to carry out its own objectives but to support other functions, as well. Responsibilities, chain of command, and autonomy are clearly defined. Hitachi Koki Company Ltd., a machinery company doing business in China, provides a good example. To avoid unnecessary conflict with the home office, the company established a clear division of leadership under which the Chinese staff is responsible for management while the Japanese staff is responsible for sales and administration.

Another company, Rosemount, Inc., has clearly defined policies and procedures that protect its technology in China through continuous product-upgrading and the planned obsolescence of previous models. Of course, such an approach requires that the home office keep abreast of the state-of-the-art.

Organizational flexibility is also crucial because of the necessity of adapting to foreign cultures. For example, Fluke International, specializing in electronic testing and measuring devices, designed a "trade and technology" arrangement to accommodate Chinese cultural imperatives when typical licensing arrangements did not (Keijzer, 1992:80). Similarly, a foreign firm should also provide adequate compensation for the cultural and commercial hardships that its foreign personnel, particularly expatriates, must endure.

However, in focusing on the details necessary to

build an effective system, the company should not lose sight of the importance that Sun Tzu placed on the *tao* with its broad, pervasive ability to integrate detail into a well ordered, harmonious whole. Its synthesizing quality is to be especially revered when a company is operating in a foreign culture, such as China's, where attitudes, customs and habits are in sharp contrast with those to which the company is accustomed. Indeed, according to Sun Tzu, compatibility with the *tao* underlies the successful application of all of the strategies and tactics he identifies in the *Art of War*.

KNOWING THE ENEMY - THE SEVEN COMPARISONS

A vital and often overlooked part of Sun Tzu's *Art of War* is his emphasis on acquiring a thorough knowledge of the other party. Previous research efforts cited Sun Tzu's "Seven Comparisons," which address this topic, but their meaning was rarely analyzed in the light of Sun Tzu's overall philosophy.

Sun Tzu believed that to fully understand one's competitors, one must know not only what they do but, more importantly, what they are. One must know their resources and restrictions, needs and objectives, potential and limitations. This is particularly important in the international business arena because collaboration rather than confrontation has become a sign of the times. The more difficult process of collaboration allows companies to match objectives, accommodate needs, build compatibility and develop potential. This process also includes stakeholders, such as suppliers, buyers, venture-capital partners and others, and enables the organization to predict more accurately the strategic behavior of all parties involved. As a result, the company is better able to put itself in a strong bargaining position.

Sun Tzu's emphasis on fully understanding one's opponents is revealed in the extensive information he collected about them. He also assumed that his opponents were just as industrious in obtaining the same information

about him. The Seven Comparisons that Sun Tzu defined in this process can be condensed and restated as follows:

- Which company is more attuned to the *tao*?
- Which leader (manager) has the greater ability?
- Which company has the better 'weather and terrain'?
- Which company has the better rules and policies?
- Which company has the better supplies and equipment?
- Which company's employees have the better training?
- Which company has the more effective reward and punishment policy?

The Five Factors are used to build a strong organization, while the Seven Comparisons are used to predict the likelihood of the company's success or failure in the light of its competitor's strengths and weaknesses. Sun Tzu believed that by completely analyzing one's adversaries, as well as oneself, one will gain a "hundred victories in a hundred battles."

CONCLUDING REMARKS

When one reads the *Art of War*, one wonders why Sun Tzu did not name it the *Art of Avoiding War*. Unlike historically popular sentiments that tend to extol heroism and victory at all costs, Sun Tzu does not seek to destroy his adversary, enslave a people, or appropriate their property and possessions to his own use. War should be waged only if it will improve the lot of both the victor and the vanquished according to their relative merits. To do otherwise would be to work against the *tao* and prevent the resolution of conflicting forces at the highest level possible under the circumstances.

The application of Sun Tzu's principles to business seems especially relevant when one considers that, according to Michael Porter, strategic management is the adaptation of military strategy to the business world. When the subject is international business, the inherent contrasts in culture, political and economic

orientation, technological and managerial capability, population, and resources, enable one to see more vividly how China, the nation that differs so remarkably from the environment from which most foreign investors come, currently provides an excellent opportunity to study and understand in depth the international business application of Sun Tzu's *Art of War*.

International investors who are accustomed to seeking a profit as a private enterprise competing in a free market would do well to remember that they are dealing with their opposite, more than 300,000 state-owned enterprises whose purpose it to benefit the state's social welfare programs under an "open door" policy that is carefully defined and controlled by their government.

Although Premier Jiang Ze-min declared in Beijing's Great Hall of the People on September 15, 1997, at the 15th People's Congress of the Chinese Communist Party, that all but 1,000 of China's state-owned enterprises would be eventually denied government financial support, his promise is yet to be fulfilled. Of course, when it is, it will provide foreign investors with the advantages of a more competitive environment. But the resulting unemployment and possible intervention of the People's Liberation Army, which owns many of the state-owned enterprises, may cause Jiang's policy to backfire and may aggravate some of the serious problems that foreign investors already face. In the process, the wisdom of Sun Tzu's *Art of War* may serve them well.

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